BOOK REVIEWS

Essentials of Economic Theory as Applied to Modern Problems of Industry and Public Policy. By JOHN BATES CLARK, Professor of Political Economy in Columbia University. New York: The Macmillan Company, 1907. Pp. xiv+566.

A further instalment on economic theory from Professor Clark, developing the doctrines of his *Distribution of Wealth,* has long been awaited by economists. The earlier volume, it will be recalled, treated static phenomena only, and left dynamic conditions for later discussion. The large additional task which the distinguished author thus set for himself he has found it impossible to perform as speedily as he had hoped. In the preface to the present volume, he states that "any adequate treatment of Economic Dynamics will require more than one volume of the size of the present one. In the meanwhile it is possible to offer a brief and provisional statement of the more general laws of progress."

The book before us consists, first, of a set of chapters restating "Economic Statics" and giving in summary form the doctrines already set forth in the *Distribution of Wealth.* A second part then gives the contributions to "Economic Dynamics." The chapters in this second part deal largely with matters such as are sometimes grouped under the head of "applied economics." As a whole the volume is expected by the author to be "available for use in classrooms, not as a substitute for elementary textbooks, but as supplementary to them. It omits a large part of what such books contain, presents what they do not contain, and tries to be of service to those who wish for more than a single introductory volume can offer."

The first part of the book covers, as I have said, the topics which are considered more fully in the *Distribution of Wealth.* It begins with a consideration of wealth, value, utility, treating these fundamental matters in a way not unfamiliar, yet enlivened and made effective by Professor Clark's remarkable gift of presentation. After these introductory chapters, the essential doctrines of the earlier book are restated in summary form. We have again the propositions that capital and capital goods are to be distin-

guished; that capital is abiding, but capital goods are transitory; that capital goods are self-perpetuating and automatically reproduce their kind; that capital serves to synchronize the successive stages of labor and enables present labor at once to secure command of its product; and finally, that there is specific productivity of labor and of capital, and that the returns to these factors are in proportion to their separate products.

There are, however, some omissions. The doctrine of the zone of indifference, which runs through several chapters of the *Distribution of Wealth,* does not appear at all in the present book. Professor Clark's zone of indifference, it will be recalled, stood for a margin where labor was applied with the use of valueless instruments—worn-out machines and the like. At this margin, "capital goods" produced absolutely nothing; labor produced everything and got everything; and productivity at this point was supposed to fix wages throughout the industrial field. I have never believed that there was in fact any zone of this kind, still less that productivity in such a zone determined all wages. In any case, the theory as to the zone of indifference always semed to me inconsistent with Professor Clark's exposition of the doctrine of specific productivity. In that exposition, as given in the later chapters of the *Distribution of Wealth,* both labor and capital are supposed to produce something; the zone of indifference at which capital produces nothing is apparently forgotten. In the present volume, it is made even more clear than it was in the *Distribution of Wealth* that labor and capital are *both* supposed to make a contribution to the output at the margin. Indeed, Professor Clark essays a proof, such as he had not explicitly undertaken before, to show that the amount of interest as determined by the productivity of capital is identical with the amount of interest as determined residually by the productivity of labor. This interlocking of the twin doctrines of the specific productivity of labor and capital, very carefully worked out in chaps. viii and ix of the present volume, brings a gain in the consistency and completeness of the exposition. But the zone of indifference seems thereby to be quite done away with. There is nothing to indicate whether it is now omitted merely for the sake of brevity, or whether further consideration has led Professor Clark to doubt its validity. In any case, his reasoning, in my judgment, gains in consistency by its disappearance.

Again, the doctrine as to the self-perpetuation of capital goods is somewhat shorn. It is not explicitly stated, as it was in the *Distribution of Wealth,* that abstinence, while necessary for the first making of capital, is not necessary for its maintenance. To be sure, this may be regarded simply as an obvious corollary from the main theorem; but it has always seemed to me a corollary which brought out the weakness of that theorem. If abstinence is necessary at all for the first making of capital, it is equally necessary for the making of the new capital which replaces the old as that wears out. Indeed, the doctrines as to capital and capital goods, the synchronizing effect of "capital" on the product of labor, the automatic self-replacing of capital goods, have always seemed to me most unsatisfactory parts of Professor Clark's system. I suspect that ten years from now they will have the same position in the history of economics as some of President Walker's doctrines. Those, too, at one time seemed to carry all before them. Yet prolonged reflection has relegated them to a place in the lumber-room of discarded doctrines. Such, I cannot but believe, will be the fate of Professor Clark's theories in relation to capital and capital goods.

The more important theorem as to the specific productivity of labor and capital is now stated, as I have said, more compactly and at the same time more completely than in the earlier book. To enter on any consideration of it is not possible within the range of such a notice as this. I can only record my opinion that the case is not made out. I doubt whether a separate or specific productivity of capital or of labor can be proved in any really important sense. We can analyze the causes which underlie the earnings of the two factors; but we cannot demarcate really distinct contributions from each. On this subject the last word does not seem to me to have been said.

The second part of the volume is in one respect disappointing. It cannot be said to fulfil the promise made in the preface, of offering even "a brief and provisional statement" of a theory of Economic Dynamics. Such a statement would be expected to consider the prospects as to the future of production and distribution, the trend of the progress of society, above all the relation of private property to socialism. Barring incidental remarks in some of the chapters, these far-reaching questions are not touched at all. There is also no consideration of social stratification, of non-competing

groups, of the causes of inequalities in wealth and income, of any tendency toward less or more inequality in the future. Instead, we have a series of chapters, not very closely connected, on improvements and machinery in their effects on laborers, on the law of population, the accumulation of capital, transportation and railway questions, labor organizations and arbitration, protection, and money. In these chapters, as Professor Clark states in his preface, he has used material published before, and doubtless he has been somewhat affected in his choice of topics by this available material.

Many of these chapters are exceedingly good. That on the law of population seems to me quite admirable—a statement at once of the significance and logical consistency of the Malthusian doctrine, and of the great change in social conditions which has made the question of population so much less vital than Malthus and his contemporaries supposed it to be. The chapters on transportation and the railway problem are also excellent. Those on protection and monopoly are again good. The economic justification of protection is rested on the doctrine of support for young industries, and it is maintained, with much justice, that there may be room for nurturing protection even though the stage of early development, and of infant industries in that sense, has passed. I confess, however, that Professor Clark seems to assume too freely that the progress toward independence which has recently been made by many American industries has been in fact due to protection. There is much danger in this matter of falling into the assumption *post ergo propter*. The chapter upon money takes up but a single phase of monetary theory—the connection between appreciation and the rate of interest. The automatic adjustment of the rate of interest, serving to counterbalance the effects of appreciation or depreciation on debtors and creditors, has always seemed to me much exaggerated by Professor Clark, and is again set forth altogether too broadly in the present volume. On labor questions and on arbitration, Professor Clark makes suggestions which perhaps belong more obviously to the field of applied economics than those in other parts of the book. He concludes that, public opinion and the attitude of the laboring class being what they are, violence and the fear of violence have to be reckoned with as actual factors in the determination of wages; therefore a board of arbitration must take account, in making an award, of the fact of violence and of

the past results of violence. Hence, in monopoly industries, Professor Clark's conclusion is that workmen may be given a share in the "grab"—such a share as strikes and violence would be likely to get for them, if there were no such thing as arbitration. This, of course, he believes to be a sound procedure only "in the interim" —that is, so long as monopoly is not yet regulated and "natural" prices do not yet prevail.

It need hardly be said that in this volume Professor Clark shows again the qualities which have won him so distinguished a place among living economists. He is original and ingenious, and does not fear to pioneer boldly into new fields of thought. Those who so adventure deserve high praise, and not the less so if they prove sometimes to have made a start in the wrong direction. His style retains all its grace and finish, his courtesy is unfailing, and a fine personality shines through the pages.

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The Trust Movement in British Industry. By HENRY W. MACROSTY, B.A. London: Longmans, Green & Co., 1907. 8vo, pp. xvi+398.

The author informs us in his preface that

to award praise or blame in the moral sense for the operations of trade in no way falls within the scope of this book, whose only object is to detail, with as little bias as possible, as many facts as could be ascertained in relation to the modern organization of industry. Description rather than criticism has been the aim mainly kept in view, and, therefore, every opportunity has been taken to let business men state their opinions in their own words.

We may say at once that the desired goal has been successfully attained, and as a result we have a comprehensive and fairly detailed narrative of the movement toward combination in Great Britain. Apparently every combination worthy of attention, whether amalgamation or simple association, has received some notice. In most cases this includes an account of the causes leading up to its appearance, a brief description of its organization, an outline of its career, and a statement of the reasons for its success or failure. The retail trades and, rather briefly, the field of transportation have been covered, as well as manufacturing and the extractive